



**MCI Telecommunications  
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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

December 10, 1997

Magalie Roman Salas  
Secretary  
Federal Communications Commission  
1919 M Street, N.W. Room 222  
Washington, D.C. 20554

**Re: Amendments to Uniform System of Accounts for Interconnection, CC  
Docket No. 97-212**

Dear Ms. Roman Salas:

Enclosed herewith for filing are the original and eleven (11) copies of MCI Telecommunications Comments regarding the above-captioned matter.

Please acknowledge receipt by affixing an appropriate notation on the copy of the MCI Comments furnished for such purpose and remit same to the bearer.

Sincerely yours,

Don Sussman

Enclosure  
DHS

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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

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In the Matter of )  
 )  
Amendments to Uniform System of ) CC Docket No. 97-212  
Accounts for Interconnection )

COMMENTS OF  
MCI TELECOMMUNICATIONS CORPORATION

I. Introduction

MCI Telecommunications Corporation respectfully submits these comments in response to the Notice of Proposed Rulemaking ("Notice") in the above-captioned proceeding, released December 10, 1997. Section 251 of the Telecommunications Act of 1996 directs incumbent local exchange carriers ("ILECs") to take several steps to open their networks to competition, including: providing interconnection; offering access to unbundled elements of their networks; furnishing transport and termination of competitors' traffic; and making their retail services available to resellers at wholesale rates.<sup>1</sup> Currently, no specific Part 32 accounts have been designated to record the amounts associated with interconnection arrangements. In the Notice, the Commission proposes new Part 32 accounts and subsidiary record keeping requirements to record the revenues

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<sup>1</sup> 47 U.S.C. §251(c).

and expenses related to providing and obtaining interconnection.<sup>2</sup>

**II. The Commission Should Designate Part 32 Accounts Associated with Interconnection Arrangements**

MCI agrees with the Commission that it must designate Part 32 accounts for recording revenues and expenses associated with interconnection arrangements.<sup>3</sup> MCI agrees with the Commission's tentative conclusion that such accounts are necessary to ensure uniformity in ILEC reporting, and that without such uniformity, it would be difficult to compare, calculate, and track investments and performance related to these accounts among the ILECs. Furthermore, such uniform Part 32 accounts would not create undue administrative burdens for the ILECs, and are essential to monitor the development of competition in local telecommunications markets.

**III. Commission Accounting Rules Must Not Insulate ILECs From Competition**

In the Notice, the Commission proposes that ILECs should record in subsidiary records the total amount of costs based on the revenues received for providing interconnection, and that the apportionment of these costs should be consistent with cost

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<sup>2</sup> Part 32 expense and plant accounts are used to record costs associated with incumbent local exchange carriers' ("ILECs") provision of products and services to customers. Part 32 revenue accounts are used to record ILEC revenue associated with products and services customers purchase.

<sup>3</sup> Notice at ¶5.

studies underlying the charges for these services and elements.<sup>4</sup> The Commission offers the example that, if the appropriate cost study identifies network support expense as 10 percent of the total cost of the unbundled loop, then an amount equal to 10 percent of the revenue attributable to unbundled loops would be recorded in subsidiary records in the network support expense accounts.<sup>5</sup> MCI strongly objects to this proposal as it would undermine competition in local markets by allowing the ILEC to include a portion of facilities for which they have been fully compensated by competitive local exchange carriers ("CLECs") in its rate base.

The Commission's proposal would insulate ILECs from competition and delay the market-based approach to access reform. First, under the Commission's proposal, ILECs would receive the same revenue whether it provided service to a customer, or a new entrant provided the service. Second, removing an amount from the rate base equal only to the revenue the ILEC receives for interconnection facilities would allow the ILEC to earn a return on ILEC facilities used and paid for by its competitors.

Under the Commission's proposal the ILECs would recover TELRIC plus embedded costs. TELRIC costs fully compensate ILECs for unbundled elements and includes a reasonable profit. ILECs should only recover the TELRIC cost of elements, as any additional revenue will contribute to the ILECs' "war chest," which the ILECs will use to compete against new entrants in local markets, and to finance their own entry into in-

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<sup>4</sup> Notice at ¶14.

<sup>5</sup> Notice at n.31.

region long distance markets.

The Commission's proposed rule should be modified so that all embedded costs associated with facilities purchased by new entrants are removed from the ILEC's rate base.

**IV. The Commission Should Order ILECs to Report the Revenues and Expenses Separately for Interconnection and Access to Unbundled Network Elements**

In the Notice, the Commission proposes several new Part 32 revenue and expense accounts. It proposes to establish Account 5071, Interconnection and access to unbundled network elements, to record all revenues received by an ILEC for providing interconnection and access to unbundled network elements pursuant to sections 251(c)(2) and 251(c)(3). It also proposes Account 6551, Interconnection and access to unbundled network elements, to record the costs of purchasing interconnection and access to unbundled network elements from other telecommunications carriers pursuant to section 251.<sup>6</sup> The Commission tentatively concludes that it should permit the ILECs to include the amounts received for providing both interconnection and access to unbundled network elements in a single revenue account.<sup>7</sup> MCI believes these two need to be reported separately, for the following reasons.

CLECs intend to provide service in each of the three ways that was set forth by Congress and the Commission: over their own networks, through unbundled local

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<sup>6</sup> Notice at ¶8.

<sup>7</sup> Id.

network elements ("UNEs"), or through resale. Each of these three methods of providing service will have a different effect on the ability of CLECs to provide a competitive check on the ILECs. It is important to be able to see how each method develops in order to ensure that all three avenues to competition develop. While CLECs' own networks provide the greatest ability to differentiate and control local services, expansion is necessarily limited by capital constraints and may not allow widespread and timely entry. Use of UNEs allows CLECs to rapidly expand services and then to migrate towards their own facilities over time. Resale of ILEC services does not allow CLECs to differentiate their services and maintains ILEC control and profits at the small discounts currently available. As the FCC performs its review of RBOC 271 applications (i.e. to determine the method and the extent that local competition exists within a state), such information will help the Commission determine whether each entry method is available, as a practical matter, on reasonable and nondiscriminatory terms. It will also be necessary for the Commission to have access to this information separately so that it can verify the claims made by ILECs in their 271 applications.

It is therefore imperative that the Commission order ILECs to report the revenues and expenses separately for these accounts.

#### **V. Transport and Termination**

In the Notice, the Commission also proposes a new Part 32 revenue account for transport and termination, Account 5072, Transport and termination revenue, to record all

revenues received by ILECs for providing transport and termination of traffic subject to section 251(b)(5). It also proposes a new Part 32 expense account, Account 6552, Transport and termination expenses, to record amounts paid for transport and termination of traffic subject to section 251(b)(5). Because transport and termination will be purchased together whenever two carriers interconnect, and regardless of whether the CLEC is providing service through UNEs or on its own network, one account for transport and termination revenue and one account for expenses should be sufficient for the Commission to realize its stated goals in this proceeding.<sup>8</sup>

## **VI. Subsidiary Record Keeping**

In the Notice, the Commission also tentatively concludes that subsidiary record keeping categories will be sufficient to track separately, revenues from, and expenses paid for, interconnection, each unbundled network element,<sup>9</sup> transport, termination, and each

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<sup>8</sup> Pursuant to ¶6 of the Notice, the Commission's record keeping requirements are intended to achieve the following goals: (1) to facilitate uniform reporting requirements among ILECs with respect to interconnection and infrastructure sharing arrangements; (2) to enable the Commission to monitor and assess the economic impact of the development of local exchange and exchange access competition and the deployment of advanced telecommunications capabilities; (3) to ensure that ratepayers do not bear the costs of ILECs' competitive activities; and (4) to assist the Commission decision making concerning ILEC petitions for forbearance from regulation pursuant to section 10 of the Act by making information concerning ILEC performance related to these services accessible and verifiable. In addition, MCI believes that the Commission should add the goal of just, reasonable and nondiscriminatory rates for CLECs.

<sup>9</sup> E.g., unbundled access to unbundled loops, network interface devices, local and tandem switching capability, interoffice transmission facilities, signalling and call-related databases, operations support systems functions, and operator service and directory assistance facilities.

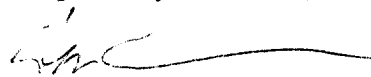
resold service.<sup>10</sup> While MCI does not oppose the use of subsidiary record keeping categories, MCI is concerned that reliance on subsidiary record keeping for these categories, absent standard sub-account definitions and ARMIS reporting requirement modifications, will prevent the Commission from achieving its stated goals.<sup>11</sup>

Presently, ARMIS reports do not reflect subsidiary accounts; they reflect only Part 32 revenue and expense accounts. Consequently, if the Commission is to rely on subsidiary record keeping to track revenue and expense information for these categories, it must both standardize the definitions of sub-categories and require ILECs to report these subcategories in their ARMIS reports. Absent such modifications, these important details will not be readily available to decision makers on a consistent basis.

## VII. Conclusion

WHEREFORE, MCI Telecommunications Corporation respectfully requests that the Commission adopt the positions raised above.

Respectfully submitted,



Don Sussman  
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1801 Pennsylvania Avenue, NW  
Washington, DC 20006

December 10, 1997

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<sup>10</sup> Notice at ¶9, ¶11 ¶13.

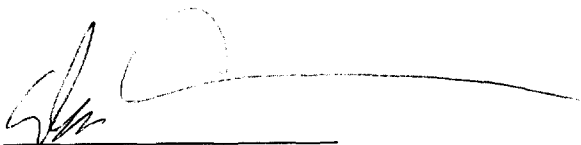
<sup>11</sup> See n.8, infra.



Comments of MCI Telecommunications  
December 10, 1997

STATEMENT OF VERIFICATION

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on December 10, 1997

A handwritten signature in dark ink, appearing to read 'Don Sussman', is written over a horizontal line.

Don Sussman  
1801 Pennsylvania Avenue, NW  
Washington, D.C. 20006  
(202) 887-2779

Comments of MCI Telecommunications  
December 10, 1997


**CERTIFICATE OF SERVICE**

**I, Barbara Nowlin, do hereby certify that copies of the foregoing Comments were sent via first class mail, postage paid, to the following on this 10th day of December, 1997.**

Matthew Vitale\*\*  
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Common Carrier Bureau  
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Barbara Nowlin